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How advisors can ease client fears of outliving retirement income
By Rob Burgess
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Despite increased optimism about their retirement accounts, many savers reported feeling nervous about outliving their retirement income.

According to the recently released fourth annual Protected Retirement survey from the Nationwide Retirement Institute, nearly two-thirds (65%) of respondents say they are on the right track to be financially prepared for retirement. This figure rises to 71% for 22- to 34-year-olds, a 15-point increase from 2023. (The institute surveyed savers, including 2,200 plan participants and 400 participants ages 60 to 65, from July 11 to 26.)

Cathy Marasco, leader of Protected Retirement Solutions at Nationwide, said it was a "pleasant surprise" to see such strong confidence among younger respondents.

"The research shows this is likely because they're actively engaged and managing their accounts throughout the year," she said. "As a record keeper and insurer, that's great to see."

However, 56% of surveyed savers continue to worry about outliving their retirement income, and 61% find it challenging to determine how long their savings will need to last. Inflation and the high cost of living continue to weigh on workers, with 80% of public and private sector employees expressing significant concern. Because of this, nearly one in three employees aged 45 or older (28%) now expect to delay retirement due to insufficient savings, according to Nationwide's survey.

But retirement experts say there is much that financial advisors can do to help alleviate clients' fears about outliving their retirement income.

Understand long-term goals
Benjamin Simerly, founder of Lakehouse Family Wealth in Cleveland, said the majority of his clients who are worried about how long their money needs to last find solace in having a plan.

"Families can do this math on their own by way of online calculators and lots of research, but the simplest way is to hire an advisor," he said. "We find that in times of worry, the No. 1 thing that allows them to sleep at night is reviewing their financial plan with us."

Amy Greene LoCascio, co-founder and managing partner at Eamon Capital Management in Wexford, Pennsylvania, said the first step in helping address

clients' concerns is to make sure that they have a firm understanding of what their long-term goals are for their investments.

"After that, we work to establish a financial plan that maps out the probability that their goals line up with their savings and investments," she said. "We work together as a team to make any adjustments in savings, investments or goals to achieve the highest probability of success. And then, revisit the plan as markets and goals may change."

Julie E. Hall, a financial planner with Vision Capital Partners in Ann Arbor, Michigan, said she starts by asking questions to pinpoint the specific area of worry.

"For instance, 'Have you ever worked with a financial planner to assess your qualitative financial independence goals and your quantitative financial facts and goals?'" she said. "This includes your current retirement savings, spending needs, future retirement spending, potential income sources like Social Security and any pension benefits. This process helps determine if they do have a shortfall."

Calculate how much they will need

Retirees tend to think of retirement as a static point in time, said Noah Damsky, principal at Marina Wealth Advisorsi in Los Angeles. He advises clients that they will need roughly 20 times their salary in retirement.

"They forget that their portfolio today is not the ending, highest value," he said. "Throughout retirement, we expect that the portfolio will continue to grow, which is something retirees easily forget. This way of thinking can lead to severe anxiety and loss aversion, which can cause investors to shift to an overly conservative portfolio, jeopardizing the success of their retirement strategy."

Hall said she starts by calculating how much her clients spend today and how much they expect to spend in the future.

"I don't care how much money someone has," she said. "We must start with a reasonable budget to make solid planning decisions. I often hear the question, 'What is my number?' and respond, 'Great question; it depends.' For example, it depends on what you spend today, how much you have saved, how much you are saving now and plan to save in the future, how your portfolio is invested and how much fixed income you will have available in retirement to help meet your retirement spending needs."